



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IX

75 Hawthorne Street
San Francisco, CA 94105

FEB 11 2008

CERTIFIED MAIL – Return Receipt Requested

Donna Rise
Director
Nevada Department of Agriculture
350 Capitol Hill Avenue
Reno, NV 89502

Re: Administrative and Financial Desk Review

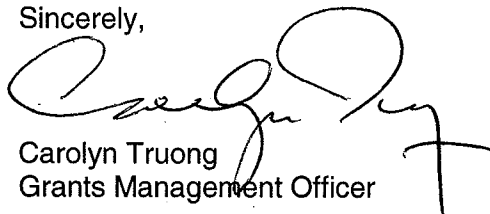
Dear Ms. Rise:

We would like to thank you and your staff for the time and cooperation provided to representatives from the U.S. Environmental Protection Agency (EPA), who performed a limited scope desk review of the Nevada Department of Agriculture's administrative and financial management systems. The purpose of the review was to ensure compliance with federal requirements in order to prevent potential negative audit findings relating to EPA assistance agreements. The review disclosed one system weakness which related to federal standards for financial management and payments, that needed improvement in order to comply with EPA grant requirements.

Based on your January 15, 2008 response to our December 14, 2007 draft report, we are issuing a final report, which is enclosed. This report indicates that the Nevada Department of Agriculture has adequately addressed the review's findings and recommendations for improvement. The corrective actions taken by the State of Nevada are considered satisfactory and sufficient to close the report and resolve all findings. However, please be aware that conclusion of this review does not preclude future EPA reviews of a similar nature.

Thank you for being responsive to the report recommendations. Should you or your staff have any questions or need additional assistance, please contact Alba Espitia of my staff at 415-972-3667.

Sincerely,

A handwritten signature in black ink, appearing to read "Carolyn Truong", is written over the typed name and title.

Carolyn Truong
Grants Management Officer

Enclosure (Final Report)

cc: Maureen Groach, NDA (w/Final report)
Rick Gimlin, NDA
Charles Moses, NDA
Wes Bills, NDA

2008 FEB 19 PM 2 56

Final Management Report

**Limited Scope
Financial and Administrative Management System Review**

of

Nevada Department of Agriculture, Reno, NV

**Prepared by
Grants Management Office, San Francisco, CA
January 2008**

TABLE OF CONTENTS

Background.....	1
Objectives, Scope & Methodology.....	1
Results of Review	2
Electronic Funds Transfer/Draw of Funds.....	2
Appendix.....	3

2008 FEB 19 PM 2 56

Background

Representatives of the Environmental Protection Agency, Region 9, Grants Management Office, completed a Post Award Management Desk review of the Nevada Department of Agriculture's (NDA) administrative and financial management systems. NDA was randomly selected for EPA's advanced monitoring review using a statistical sampling process. The review was conducted between March 27 and October 30, 2007.

The Nevada Department of Agriculture was established in 1915 by Chapter 561, Nevada Revised Statutes. The Mission of the Department is to benefit the welfare of all persons residing in the state by encouraging the advancement and protection of Nevada's agriculture and related Industries.

Objectives, Scope & Methodology

The review objectives were to assess the effectiveness of NDA's internal controls, and to determine if NDA's administrative and financial management systems met the requirements outlined in the Code of Federal Regulations (CFR), the Office of Management and Budget (OMB) cost principles, and the terms and conditions of the EPA assistance agreements.

The criteria we used were 40 CFR Part 31, "Uniform Administrative Requirements for Grants & Cooperative Agreements to State and local Governments," 2 CFR Part 225 (OMB Circular A-87 "Cost Principles for State, Local, and Indian Tribal Governments"), and the terms and conditions of the EPA grants. We reviewed the NDA's responses to the Desk Review Questionnaire, additional documentation including NDA's written policies and procedures. We also tested three selected transactions for the time period January 1, 2006 through March 31, 2007, as they related to the EPA assistance agreements listed below.

Agreement Number	Agreement Period	Amount of Award	Drawdowns (1/1/06 – 3/31/07)
E-00915406*	10/1/05 – 9/30/06	\$359,449	\$359,449
E-00959506*	10/1/05 – 9/30/06	\$28,000	\$16,457
E-00915407*	10/1/06 – 9/30/07	\$334,908	\$95,900
E-00959507	10/1/06 – 9/30/07	\$28,000	\$9,682
Totals		<u>\$750,357</u>	<u>\$481,488</u>

*Selected one drawdown for testing

At the time of our review, NDA had 16 drawdowns totaling \$481,488. We selected three drawdowns totaling \$104,848 for testing, which included tracing cash disbursement transactions to source documents and determining whether the transactions were properly authorized and allowable.

Overall, NDA has an adequate financial management system and related procedures to effectively manage and administer the EPA assistance agreements reviewed. No questionable costs were identified (See Appendix I). However, we identified one area that needs to be improved in order for the NDA to more fully comply with specific EPA and Federal grant requirements. The area needing improvement and our recommendations is discussed in the following "Results of Review" section.

RESULTS OF REVIEW

A. Electronic Funds Transfers (EFT)/Drawing Grant Funds and Issuing Payments:

NDA does not have written Policy and procedures which address Electronic Funds Transfers (EFT), drawing grant funds, and issuing payments from EPA's accounts. Per regulations "...financial management systems...must meet standards" set forth in 40 CFR 31.20(b)(7) and 31.21.

Recommendation:

NDA should develop and implement written policy and procedures which meet standards for 1) Electronic Funds Transfer, 2) drawing grant funds and 3) issuing payments in accordance with 40 CFR 31.20(b)(7) and 31.21.

Grantee Response:

The Nevada Department of Agriculture agreed to the findings and recommendation. The Nevada Department of Agriculture provided us with a copy of the state administrative procedures manual that addressed EPA's recommendation.

Reviewers' Evaluation of Grantee Response:

The Nevada Department of Agriculture was responsive to the findings and recommendations. No further action is required.

2008 FEB 19 PM 2 56

**Nevada Department of Agriculture
Results of Testing**

<u>Agreement Number</u>	<u>Total Drawdowns</u>	<u>Drawdowns Tested</u>	<u>Questioned Costs</u>	<u>Unallowed Costs</u>	<u>Notes</u>
E-00915406	\$359,449	\$67,770	-0-	-0-	-
E-00959506	\$16,457	\$5,887	-0-	-0-	-
E-00915407	\$95,900	\$31,191	-0-	-0-	-
Total	\$471,806	\$104,848	-0-	-0-	-